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COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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July 9, 2004

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Avenue
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT WITH THE
UNIVERSITY OF SOUTHERN CALIFORNIA (First District) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

- ▶ Approve and instruct the Chairman of the Board of Supervisor, or his designee, to sign an amendment to Agreement No. H-211755 with the University of Southern California for the continued provision of medical education and certain patient care services at LAC+USC Medical Center (LAC+USC), effective retroactive to July 1, 2003 though June 30, 2009. The maximum annual County obligation in Fiscal Years 2003-04 and 2004-05 under this agreement is \$73,076,000.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

Under the medical school affiliation agreements approved by the Board of Supervisors, the County can renegotiate annually the financing provisions to reflect changes in the nature or volume of services purchased under the agreement. This amendment reflects changes being made in the purchased services.

FISCAL IMPACT/FINANCING:

The maximum annual County obligation of the amended affiliation agreement with the University of Southern California will be \$73,076,000 in Fiscal Years 2003-04 and 2004-05. This reflects a \$2,835,000 retroactive increase over the Fiscal Year 2002-03 contract amount for Fiscal Year 2003-04, which will carry forward to Fiscal Year 2004-05. Funding for the University of Southern California agreement is included in the Department's Fiscal Year 2003-04 Adopted Budget and the Fiscal Year 2004-05 Proposed Budget. This

action does not increase net County cost because existing funds will be realigned within the facility's budget to cover this increase.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Department entered into the current agreement with USC in 2000. The agreement term is five years, with a one-year automatic extension at the end of each contract year, unless either party serves notice of non-renewal, in which case the agreement would expire five years hence.

The Department had originally intended to incorporate these changes into the renegotiation of the affiliation agreement with USC, unfortunately, other events, such as the restructuring of operations at King/Drew Medical Center and the Department's relationship with Charles R. Drew University of Medicine and Science, delayed the renegotiation of the agreements. Recent changes by the Accreditation Council on Graduate Medical Education (ACGME) in accreditation requirements related to the number of hours per week residents can work necessitated amending the agreements sooner than the renegotiation discussions allowed. In order to ensure LAC+USC is able to comply with recent accreditation requirements related to resident work hours, and is appropriately prepared for its October 2004 Graduate Medical Education Institutional Review, it is necessary that this amendment be made retroactive to July 1, 2003.

This agreement is being amended to incorporate required contract provision such as jury service, Safely Surrendered Baby, the new Child Support Enforcement language, and the new Responsibility and Debarment language. While Living Wage requirements apply to the USC agreement, as it is a Proposition A agreement, this language has not been included in this Amendment, as the Department has initiated renegotiation of the entire agreement and this matter will be discussed in the context of those negotiations. USC has confirmed that, even though it is currently exempt from the current Living Wage ordinance as a result of its non-profit status, it is in compliance with the Living Wage requirements.

To avoid the need to renegotiate the entire agreement each year, those provisions that are likely to change on an annual basis are contained in either addenda or exhibits to the agreement. Any material or substantive changes to either the agreement in whole or to the addenda, particularly with regard to the level of funding, require approval by the Board of Supervisors. A summary of the changes in the addenda and exhibits is outlined below.

USC Affiliation Agreement

The current agreement allows for the transfer of funds to the University upon the attrition of County-employed physicians in order to obtain clinical coverage from University-employed physicians and maintain the current level of patient care services at the facility. The agreement has reached the current contract maximum obligation, and thus the County cannot transfer funds from the hospital to the University to support the purchase of necessary physician services to meet patient care needs. Addendum A is being amended to realign \$1,296,000 within the facility's budget to accommodate the hiring of new physicians by the University to provide services previously rendered by County-employed physicians who have left or are anticipated to be leaving County service within the next year.

Also included in the facility's Fiscal Year 2003-04 and 2004-05 budgets is \$1.255 million in funding to support the hiring of additional physician personnel to bring LAC+USC Medical Center into compliance with the new ACGME resident duty hours, as described above. Addendum A is being amended to increase

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the contract maximum obligation to allow the transfer of funds necessary to hire the additional necessary faculty.

Finally, the agreement includes the transfer of \$314,000 from the hospital's budget to hire two pediatricians to support the Community-Based Assessment and Treatment Center, which is being established and operated by the Department's Violence Intervention Program.

Existing County policy and procedures require the timely submission of contracts for Board approval. Due to a delay in the renegotiation of the affiliation agreements as well as the time required to negotiate certain provisions, the amendment to the USC agreement is retroactive to July 1, 2003.

CONTRACTING PROCESS:

This is an amendment to existing Agreement No. H211755.

IMPACT ON CURRENT SERVICES:

Approval of this amendment will allow the continued provision of clinical and academic services at LAC+USC.

When approved, the Department requires the original and three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, MD
Director and Chief Medical Officer

TLG:ak

Attachments

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

SUMMARY OF AGREEMENTS
(University of Southern California)

1. AGENCY ADDRESS AND CONTACT PERSON:

Thomas L. Garthwaite, MD
Director and Chief Medical Officer
Telephone: (213) 240-8101

2. TITLE OF PROJECT:

Amendment to the Medical School Affiliation Agreement with the University of Southern California.

3. TERM:

July 1, 2003 through June 30, 2009.

4. FINANCIAL INFORMATION:

The maximum annual County obligation of the operating agreement with the University of Southern California is \$73,076,000 for Fiscal Year 2003-04 and 2004-05. There is no increase in net County cost associated with either amendment.

5. GEOGRAPHIC AREA TO BE SERVED:

First District.

6. ACCOUNTABLE FOR MONITORING AND EVALUATION:

Medical Administration at LAC+USC Medical Center.

7. APPROVALS:

DHS Director and Chief Medical Officer: Thomas L. Garthwaite, MD

Director of Finance: Gary Wells

Contracts and Grants Division: Irene Riley

County Counsel (as to form): Elizabeth Friedman, Deputy County Counsel